

# BUSINESS CONDITIONS & FORECASTS

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## A M A News Letter

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y. . . . SEPTEMBER 21, 1936

### The President's Scratch-Pad

¶ Most business men are probably trying to forget the deplorable and unlooked-for economic collapse of 1937, but while this is understandable, it is hardly a wise thing to do. It would be much better—and profitable—to review constructively the causes and the development of the recession. A really helpful analysis of the 1937 downturn which has been made for *The Review of Economic Statistics* by Sumner H. Slichter, Professor of Business Economics at the Harvard Graduate School of Business Administration, came to my attention during the last week.

¶ It is interesting to be reminded that in the Spring of 1937 most business observers expected there would be a slackening in Summer business activity and an upturn in the Autumn. You will recall that just the reverse was the case. Summer was much better than expected, but the anticipated new orders after Labor Day did not materialize. Summer activity was good because of huge forward buying which propped business until the end of August.

¶ Professor Slichter points out that long-term confidence was missing from the 1937 situation. "Why," he asks, "did the recovery which started in 1933 fail to develop in the usual manner from buying for inventory replenishment, replacement of equipment, and cost reduction into buying for major improvements and expansion based on long-term plans?" He suggests several reasons for this—the labor situation, the Supreme Court controversy, the unsatisfactory relationship between Government and business—but believes that the most important factor was the low level of profits prevailing throughout the recovery and during the boom.

¶ Besides being a penetrating "post-mortem" analysis of the recession, Professor Slichter's article provides an excellent opportunity for comparing past conditions with current and future developments and judging to a degree the likely course of business.

Alvin E. Dodd

### Methods Used in British Labor Relations

#### No Collective Bargaining Law

#### Closed Shop and Check-Off Rare

Probably the most important document on labor relations now in circulation is the report of the President's Commission on Industrial Relations in Great Britain, which was submitted to the Secretary of Labor on August 25.\* The report is concise and thorough and reflects diligent study of the British situation.

#### BRITISH METHODS

Here are some of the outstanding characteristics of English labor relations techniques as described in the report:

**Collective Bargaining:** There are no laws requiring bargaining, but the government encourages it, and it is general practice in most industries.

**Closed Shop:** Closed shops are uncommon, but exist in practice in some places because the employers may prefer only union men.

**Check-off:** The check-off is uncommon, too.

**Picketing:** Picketing of a peaceful nature is permitted, but intimidation of any kind is not allowed.

**Strike-breaking:** Employers do not try to operate during a strike. Seldom does management break a strike by hiring new men to take the place of the strikers.

**Unauthorized Strikes:** Unauthorized strikes over local grievances are fairly common, but the unions act quickly to end them. The reason for the comparative frequency of such strikes is that agreements are usually on an industry-wide

(Continued on last page)

\*Copies of the report by the President's Commission have not been generally distributed. If you desire a copy, drop a card to AMA headquarters and we shall make an effort to obtain one for you.

### BUSINESS OUTLOOK

#### Current Reports Are Favorable

#### Many Indexes Rising Markedly

"A recovery is under way, and it can be expected to continue until pressing needs are as far as possible satisfied," declares the National City Bank of New York in its monthly letter, which, incidentally, is one of the most authoritative and carefully prepared statements on business conditions that appears.

The bank goes on to say that whether the rise will continue for any appreciable time depends upon (1) whether industry will be able to keep prices down, and (2) whether the capital goods industries, such as those that manufacture machinery, rail and utility equipment, and the heavy construction industry, participate in the rise. It is pointed out that no section of business can prosper unless others prosper.

Observers of business trends generally agree that a recovery movement has started and is gaining some momentum. They are not particularly optimistic about the duration of the movement, however. It has been pointed out that there has been no change in fundamental conditions: the capital markets are apathetic toward new enterprises; venturesome capital is still scarce; labor conditions are still unsettled. Added to these are threats of war abroad. But currently there are many favorable business headlines in the news, most of which reflect deferred demand conditions. Building activity, which has been the great disappointment of the recovery drive, has at last begun to display signs of genuine encouragement. Steel ingot production has reached the highest point since November 1, 1937. Advance orders on new cars are reported as encouraging. The Federal Reserve Board index for September, which is not yet published, is expected in some quarters to show a sharp advance. For the present, at least, the outlook is good, and alert businesses will push ahead on sales.

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# ... SEPTEMBER, 1938

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Business Week	Dun's Review	Cleveland Trust Company	National City Bank
<p>gh Hitler's pugnacious speech and tant outbreaks of his followers in Slovakia have given business a jolt, no good reason to doubt that a ial American recovery can conven if the Czech crisis persists (ber 17).</p> <p>g the first week of September the dollar rate slumped to \$4.82, the vel in more than three years; in exchange circles \$4.50 is now ed as the figure at which the pound stabilized (September 10).</p> <p>European crisis has given securities a thoroughgoing case of the jitters; g Chancellor Hitler's speech and eten ultimatum, bond prices de- and the stock market broke severely (ber 17).</p> <p>uction indexes show a continued t the injurious effect of the Czech n American business has been noted mber of trades—notably basic con- goods—in the form of postpone- orders and transfer of activity to to-mouth basis (September 17).</p> <p>rtment store inventories at the uly were back to 67% of the 1923- , as compared with a 78% peak in 1937; if the declining trend has ce ceased, it may be claimed that cess of liquidation in this field has mpleted (September 10).</p> <p>ling permits during August made ellent showing; so long as the easy and spending policies of the Gov- t continue, there should be a pow- imulation to general business from struction industry (September 17).</p> <p>ernment estimates of spring wheat, and corn harvests have all declined, t sufficiently to alter market senti- ward prices; total wheat produc- ill be substantially lower than the bushel crop forecasted two months eptember 17).</p> <p>modity markets danced this week t tune of martial airs in central ; copper, lead and zinc assumed a position, and wheat rose in the o pit (September 17).</p> <p>signs point to some sort of Con- al program to amend the Wagner t is probable that some way will be to negate at least part of the claim employers are "gagged" under the eptember 17).</p> <p>recovery trend in the United States Canada still has no counterpart ; developments in Europe indicate t easy settlement of the Czech situa- in sight and that in all probability worst is yet to come" (September</p>	<p>Despite war clouds, business sentiment continues good and domestic recovery proceeds cautiously; reports for early September indicate bumper crop prospects, improvement in trade activity, and slight gains in industry (October).</p> <p>Bank clearings, 22 U. S. cities, August, \$19,716,315,000, 8.8% below July, 11.4% below a year ago; Adjusted Insolvency Index (Failures) August, 60.7, compared with 61.6 in July and 44.8 a year ago (October).</p> <p>Security trading was somewhat less active as a net result of the necessity of digesting previous price gains and of the uncertain European situation; August volume showed a drop from July of more than 18,000,000 shares or 46.5% (October).</p> <p>Preliminary estimates of industrial production showed an increase from July to August, as steel and automobile output advanced and machine tool orders reached a new high for this year (October).</p> <p>Unusually hot weather in many sections during August caused a moderate decline in the adjusted index of department store sales, with volume about 6% below last August; rural sales showed a more than seasonal increase from July to August (October).</p> <p>Building permits (Dun &amp; Bradstreet), 215 cities, for August were 28.5% below July, 15.0% above last August; Dodge construction contracts (37 states), August, \$313,141,000, 30% over July, 12% over last August, largest volume since July, 1937 (October).</p> <p>Crop prospects declined slightly during the month of August, mainly due to drought in the corn regions; all yields except winter wheat are expected to be above average (October).</p> <p>Although Dun &amp; Bradstreet's Daily Commodity Price Index declined during the first part of August, it rose later in the month; on September 12 the index was 24% below the same day of 1937 (October).</p> <p>Factory employment and payrolls showed further advances during August as steel plants and automobile producers increased activity; average weekly earnings of factory workers in 25 industries, as reported by the NICB, increased 18 cents from June to July (October).</p>	<p>Despite the recent and continuing up- turn, it still seems probable that in statist- ical terms the year 1938 will prove to be the most severe depression year in our history except 1932 (September 15).</p> <p>The volume of physical production fell steadily from August, 1937, until May of this year, when it hit bottom; it in- creased in June and July, and apparently there was a moderate rise from July to August (September 15).</p> <p>The total value of contracts awarded for new construction in July, 1938, was about 25% below July, 1937, but the value of those for public works was considerably higher, and contracts for new residential building were somewhat larger (September 15).</p> <p>The prospect of large crops is one of the factors contributing to current business encouragement (September 15).</p> <p>With present wages and prices, the iron and steel industry must produce at about 60% of capacity to meet expenses and have a profit; operating now at slightly more than 40% of capacity, the industry will sustain serious losses this year (September 15).</p> <p>Business abroad continues to slow down, and world trade is shrinking; because of war alarms there can be little incentive for risk-taking in the expansion of enterprise in Europe and the Orient (September 15).</p>	<p>If September brings good reports, in the shape of satisfactory retail trade, a good reception of new auto models, and reasonably firm markets, the prospect for further recovery in the Fall and Winter will be viewed everywhere with confidence (September).</p> <p>An upward trend in loans to business has been the most noteworthy development in banking reports during August; it presumably marks a turn in the downward trend of business loans, which has run since last October (September).</p> <p>The slowing down in the markets is welcome, for speculative markets were moving faster than business improvement could possibly go (September).</p> <p>Compared with two or three months back, the industrial situation has been strengthened substantially; the spurt in the markets enabled the metal and textile industries, in particular, to raise operations to the best rate in many months (September).</p> <p>Department store sales in August have run about 12% behind last year, as they did during July; mail order sales are showing a decreasing percentage of decline from the same month last year (September).</p> <p>Building figures are more encouraging; in May, residential contract awards were practically equal, for the first time, to the same month a year earlier; and in June, July and early August they have run substantially ahead (September).</p> <p>According to estimates by the Department of Agriculture, farm cash income during the last five months of the year will probably be about 3½ billion dollars against four billions in the same period of 1937—a decline of 12½% (September).</p> <p>Prices of wheat and corn are only about half what they were a year ago, and cotton, livestock and other products are also substantially lower (September).</p> <p>It should be understood that the apparent instability of gold, as seen in the fluctuations of currencies in their relations to gold, is not in gold, but in the changing conditions of the currencies themselves, and the state of trade in the various countries (September).</p>

## Extensive Program Announced For Production Conference, Nov. 9-10

A very important feature of the Production Conference to be held at the Hotel Pennsylvania, New York City, November 9 and 10 will be three concurrent sessions on "Quality Control Through Inspection and Test," according to Raymond S. Perry, Vice President of the Ingersoll Milling Machine Company and Vice President of the AMA Production Division.

Mr. Perry points out that the problem of setting up those inspections, tests, material controls and related procedures to guarantee quality results at minimum cost is one that affects all operations managed by the production executive. It involves organization and questions of jurisdiction and relates to customer good will as well as to production routine. Mr. Perry's planning committee received many requests to include this subject this year.

Because inspection and test procedures are determined by the type and magnitude of the industrial operations involved, the discussion of this important subject will be handled in *three concurrent sessions*. An attempt has been made to develop three groups on the basis of (broadly) similar inspection and test problems. Separate meetings with individual chairmen and discussion leaders will therefore be held.

### Specific Topics

Among the important problems to be discussed in each group are: 1. Where should responsibility for inspection supervision rest? 2. How can quality consciousness be developed in plant personnel? 3. Means of converting customer dissatisfaction into changed engineering and inspection standards. 4. Quality control by means of reward to the individual operator. 5. Centralized vs. decentralized inspection. 6. How frequently should the inspection procedure itself be analyzed?

Mr. Perry emphasizes that the most valuable part of these programs on inspection and test will be the floor discussion following the presentation of the paper by the leading speaker. Those attending are asked to present questions and experiences based on their own operations. A question box for handing in written questions or suggestions will be provided. *All are urged to make use of it.*

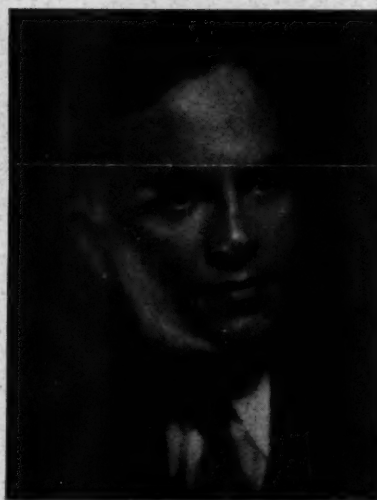
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The other topics for discussion, as already reported in the NEWS LETTER, give thorough coverage of the production executive's "bread-and-butter" problems. They include: A Symposium on Unit Costs (the entire first day); Public Relations; Development of an Effective Personnel Program; Job Evaluation and Wage Classification; and Inventory Control.

### Board Meeting

A dinner meeting of the AMA Board of Directors will be held on Wednesday, November 9 at 6:30 P.M., following the first day's sessions of the Production Conference. The location of the meeting will be announced later.

### LEADING CONFERENCE



RAYMOND S. PERRY

## Office Management Conference Brings Large Attendance

### Meeting is Marked By Valuable Discussion

Office managers and other executives from companies throughout the country attended the AMA's Office Management Conference which was held on October 5 and 6 in New York City. The conference touched on nearly all phases of office management and placed particular emphasis on personnel problems, such as employee selection, compensation, and training.

With 525 registrants attending the various sessions and participating in the proceedings, the conference gave a broad realistic picture of management progress, and was marked by intensely interesting discussions. A Questions and Answers "smoker" which brought out the principal problems in the minds of office executives, was the high spot of the meeting. Questions presented during this session concerned such topics as: methods of estab-

lishing wage systems, purchasing systems, and motion economy in the office.

Among the outstanding papers heard was one by Dr. E. B. Roberts, Assistant to the Vice President, Westinghouse Electric & Manufacturing Company, which described an experiment to discover the effectiveness of a company personnel policy made in a large industrial plant. The experiment involved the mass interviewing of 2500 employees. Interviews disclosed that employees form most of their opinions about the company and its management from the manner in which their own particular jobs are conducted. Employees wanted to do work that they liked and judged the company from the standpoint of the work itself.

A very practical paper by W. E. Tarr, General Office Manager of the Studebaker Corporation of South Bend, Ind., showed how that company has effected large savings in communications costs by a thorough study of postal, telegraph, and telephone systems.

Other topics which received unusual attention were: "Setting up a Work Simplification Program for the Office," "Job Evaluation and Salary Standardization," and "A Short Cut to Expense Control."

## MANAGEMENT CONGRESS PROCEEDINGS

AMA members who wish to obtain the printed proceedings of the Seventh International Management Congress may purchase copies of the various volumes through the Congress' New York office. Six volumes of literature bearing on personnel, production, distribution, agriculture, administration, and home management have already been published, and a seventh volume which will contain the discussions heard at the Congress will be issued in a few weeks. All seven volumes may be obtained for \$7.50. Orders should be sent to Nathaniel W. Barnes, Room 1201, 347 Madison Avenue, New York City.

### Labor Board Ruling (cont'd)

of the supervisory employee must bind the employer unless effectively disavowed." This holds even though the supervisory employees are members of a union.

In the case in which the ruling applied, it meant that electioneering in behalf of a union to which the supervisors belonged was sufficient to invalidate an election. This ruling illustrates one of the most difficult aspects of the NLRA. In this case an A. F. of L. union won the election, which was set aside by the Board when it investigated charges by a C.I.O. union that company foremen, members of the A. F. of L. union, had made disparaging remarks about the C.I.O. union and threatened employees with loss of their jobs if the C.I.O. union won the election.